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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC-WGR-1/87

8 June 1959

PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE

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These biweekly reports on "Sino-Soviet Bloc Economic Activities in Underdeveloped Areas" are prepared and issued by a Working Group of the Economic Intelligence Committee, including representatives of the Departments of State, the Army, the Navy, the Air Force, Commerce, and Agriculture; the International Cooperation Administration; the Office of the Secretary of Defense; and the Central Intelligence Agency. Their purpose is to provide up-to-date factual information on significant developments in the economic relations of Sino-Soviet Bloc countries with underdeveloped countries of the Free World. The EIC-R-14 series of reports, under the same title, provide periodic summaries and analytical interpretations of these developments.

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Summary of Events*
22 May - 4 June 1959

Afghanistan and the USSR signed an economic and technical aid agreement on 28 May calling for Soviet assistance in improving a 470-mile road from the Soviet border to Kandahar via Herat and Farah.

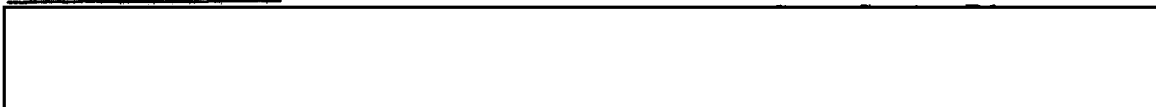
Under a new Soviet-Indian economic aid agreement signed in Moscow on 29 May, the USSR will extend a credit of approximately \$20 million to India to assist in the development of that country's pharmaceutical industries.

On 28 May, Ceylon and Communist China signed a rubber-rice agreement under which Ceylon will sell 30,000 tons of rubber to Communist China in exchange for 230,000 tons of rice.

Burma has active clearing accounts with only two Bloc countries at present -- the USSR and Czechoslovakia -- and progress has been fairly slow in liquidating the sizable net credit balances in these accounts. Clearing arrangements have been terminated with East Germany, Hungary, and Communist China, but credit balances with East Germany and Hungary and a debt balance with Communist China remain. Burma has a net credit balance with all Sino-Soviet Bloc countries as of the end of February 1959 of \$6.7 million.

An Indonesian official has announced that Communist China has signed a preliminary agreement to extend to Indonesia a \$30 million line of credit for the purchase of a textile mill as well as other industrial equipment.

Progress on the Aswan High Dam has been limited thus far to conferences between Soviet and Egyptian experts on technical considerations concerning the design of the dam. The Egyptian press



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reports, however, that the USSR has offered to aid financially and technically in the construction of the entire dam, instead of just the first stage, and to complete it in 6 years instead of 10, as originally scheduled.

Rumors that countries of the Soviet Bloc have been reexporting Egyptian cotton to markets of Western Europe have led the Egyptian government to make discreet moves to enlist the assistance of the US, West Germany, and Italy in dissuading Western buyers from purchasing such cotton.

Turkey will purchase Soviet textile and other industrial equipment worth almost \$5 million for 4 plants in south-central Turkey. Repayment probably will be over a 5-year period at 3.5-percent interest.

The Lebanese government recently concluded a deal with a local importer to purchase 100,000 tons of fuel oil from Rumania for use by the government-owned Chamoun thermal powerplant, located just north of Beirut.

Latin American trade with the Sino-Soviet Bloc increased sharply in 1958, thus reversing the downward trend which it has followed since 1955. The total trade for 1958 was approximately \$265 million, an increase of 36 percent above the level of \$195 million in 1957.

Large purchases of Uruguayan wool by the Bloc have induced Uruguay to increase its imports from the USSR and the European Satellites. Soviet pressure on Uruguay to import larger quantities of petroleum from the Bloc may mean that US oil companies in Uruguay will find it necessary to import Soviet or Rumanian crude oil.

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